

# U.S. Tobacco Grower Issues

Will Snell, University of Kentucky



# Current Challenges/Issues Facing U.S. Tobacco Growers

🍃 Price Competitiveness in the World Market

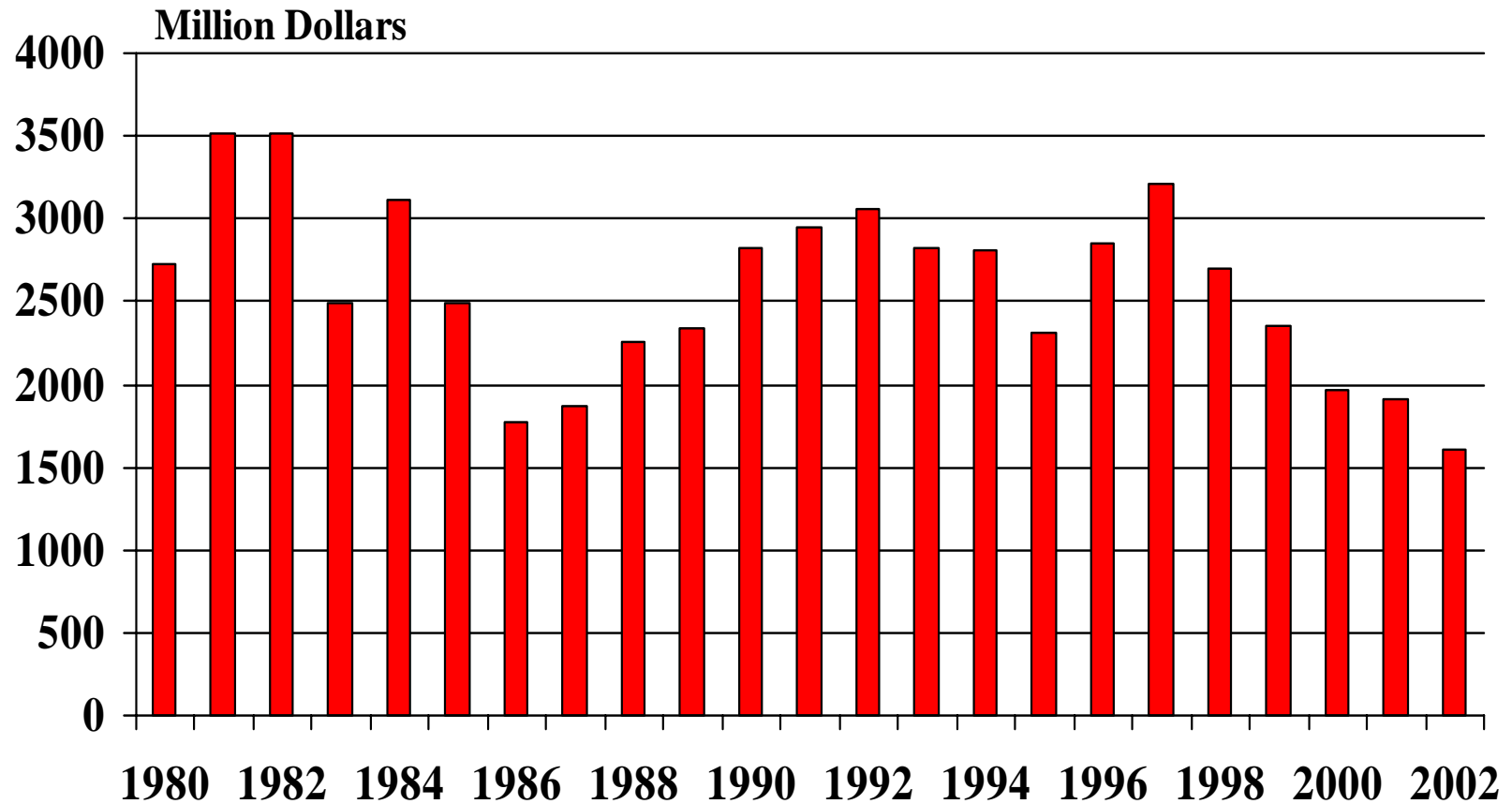
🍃 Domestic Consumption/Production



🍃 Tobacco Taxes, Regulations, and Restrictions, Lawsuits

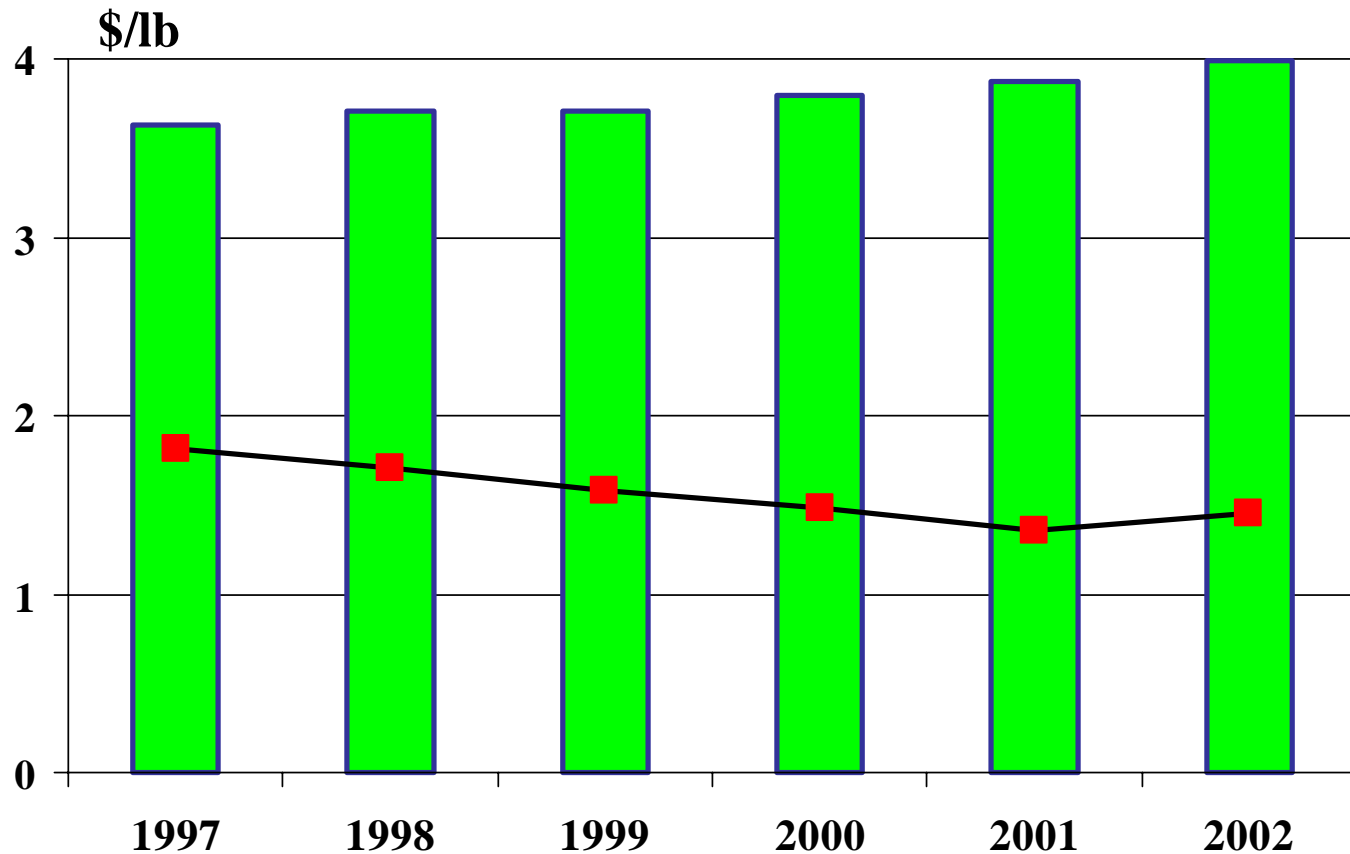
🍃 Future Uncertainty Regarding Marketing/Policy

# Value of U.S. Tobacco Production



Source: USDA/ERS

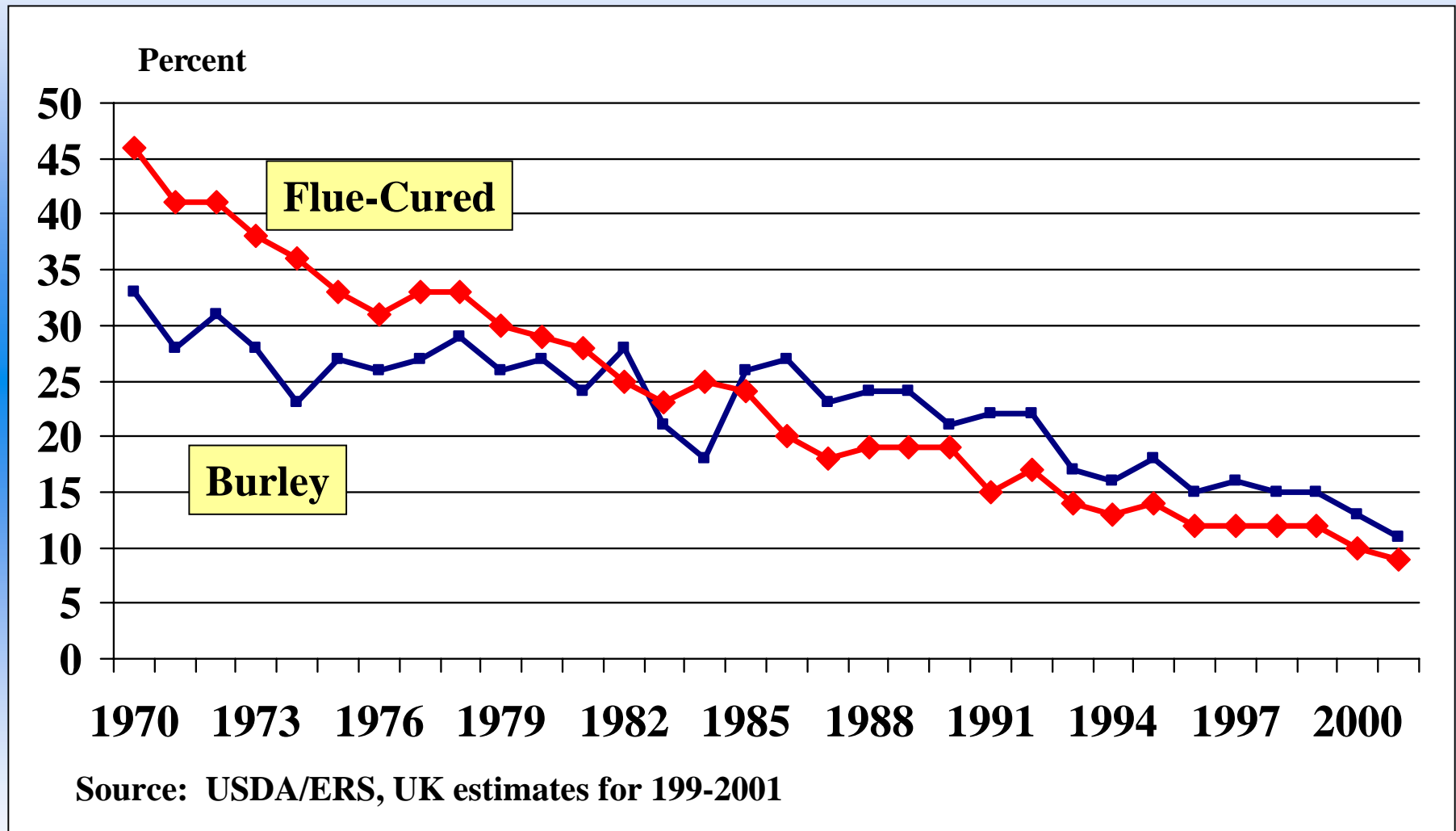
# U.S. Burley Export Price vs Average U.S. Burley Import Prices



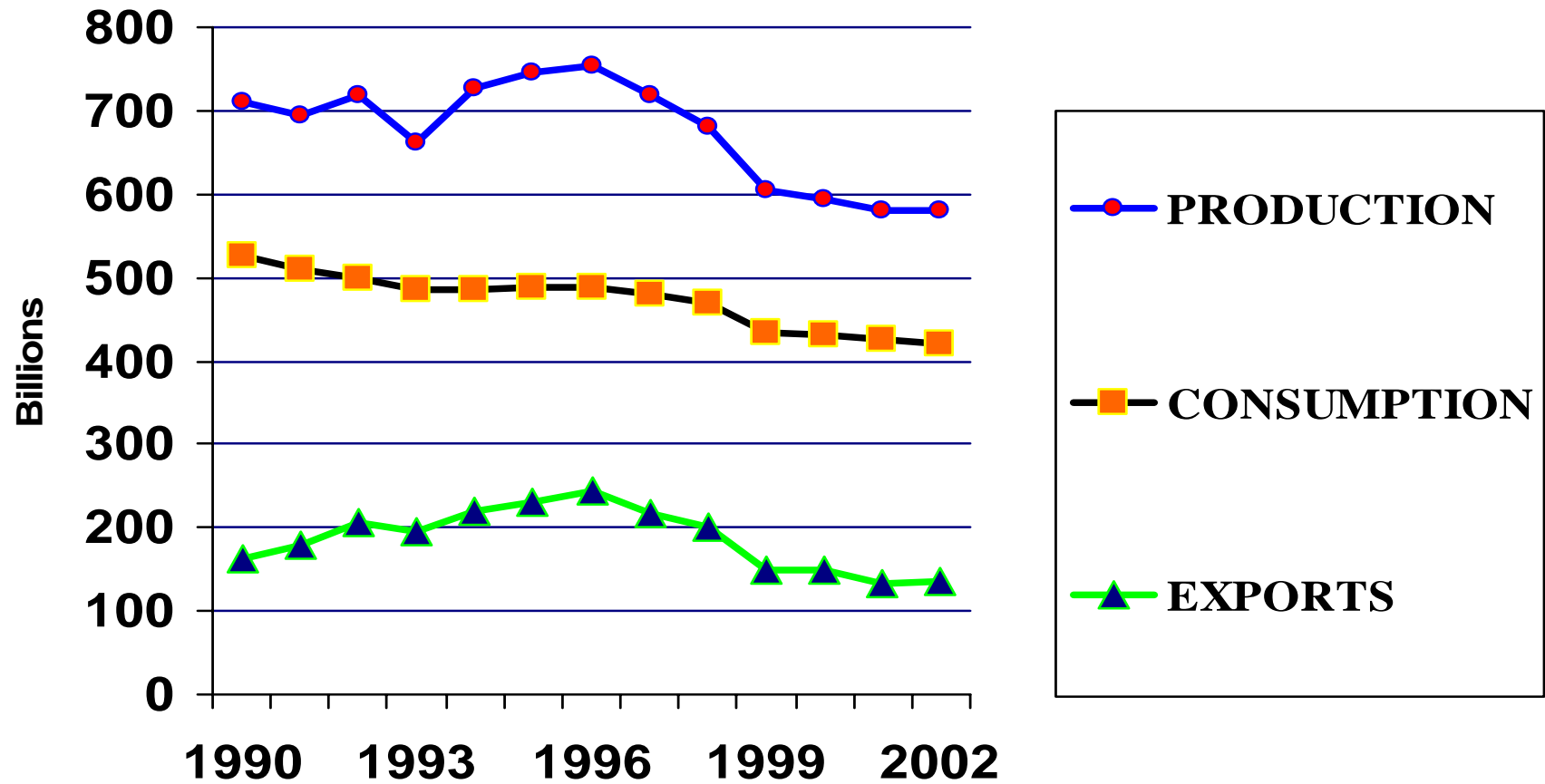
Source: USDA/FAS

■ U.S. — Import

# U.S. Market Share of World Flue-Cured and Burley Exports

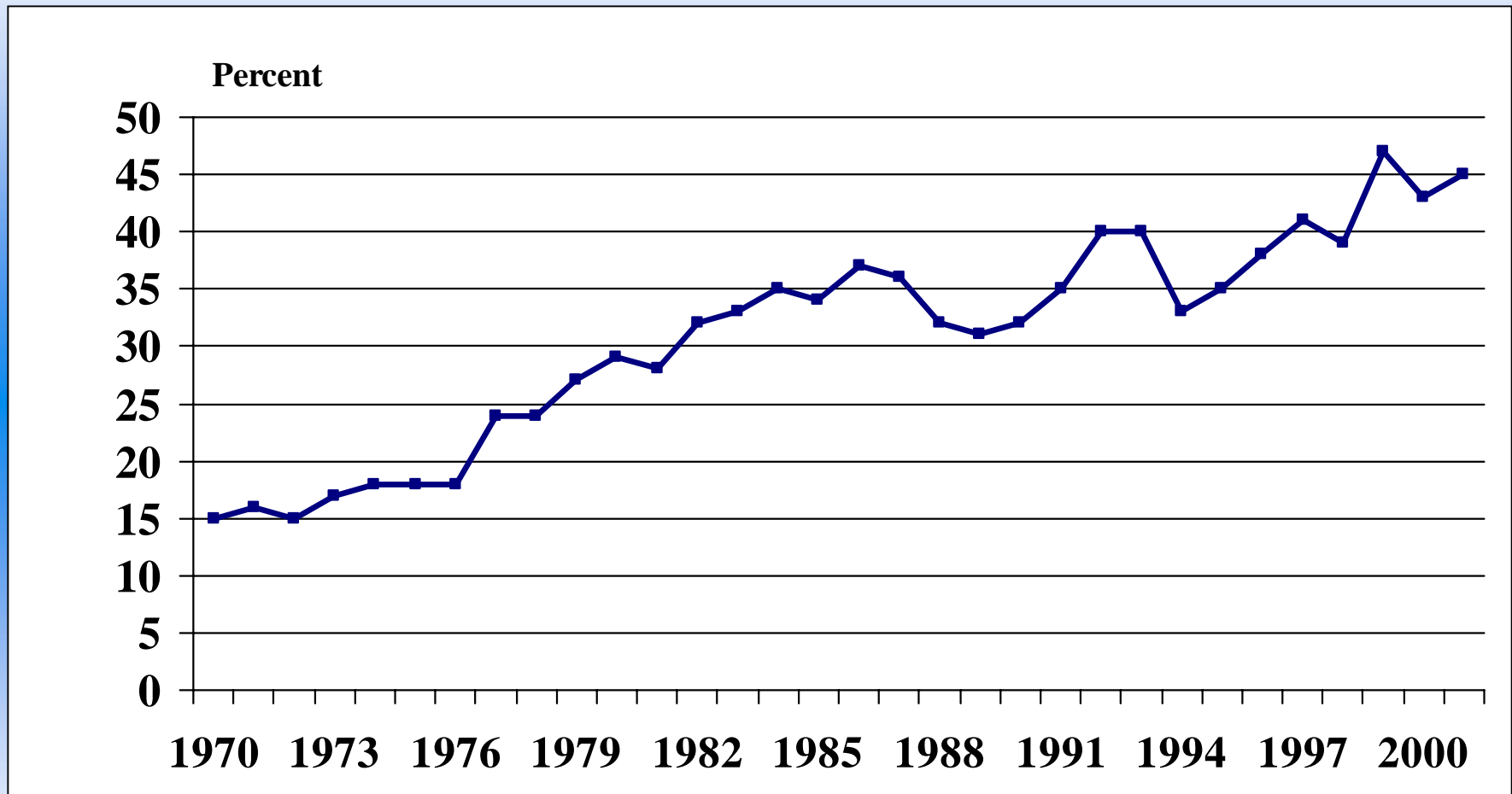


# U.S. Cigarette Production, Consumption and Exports



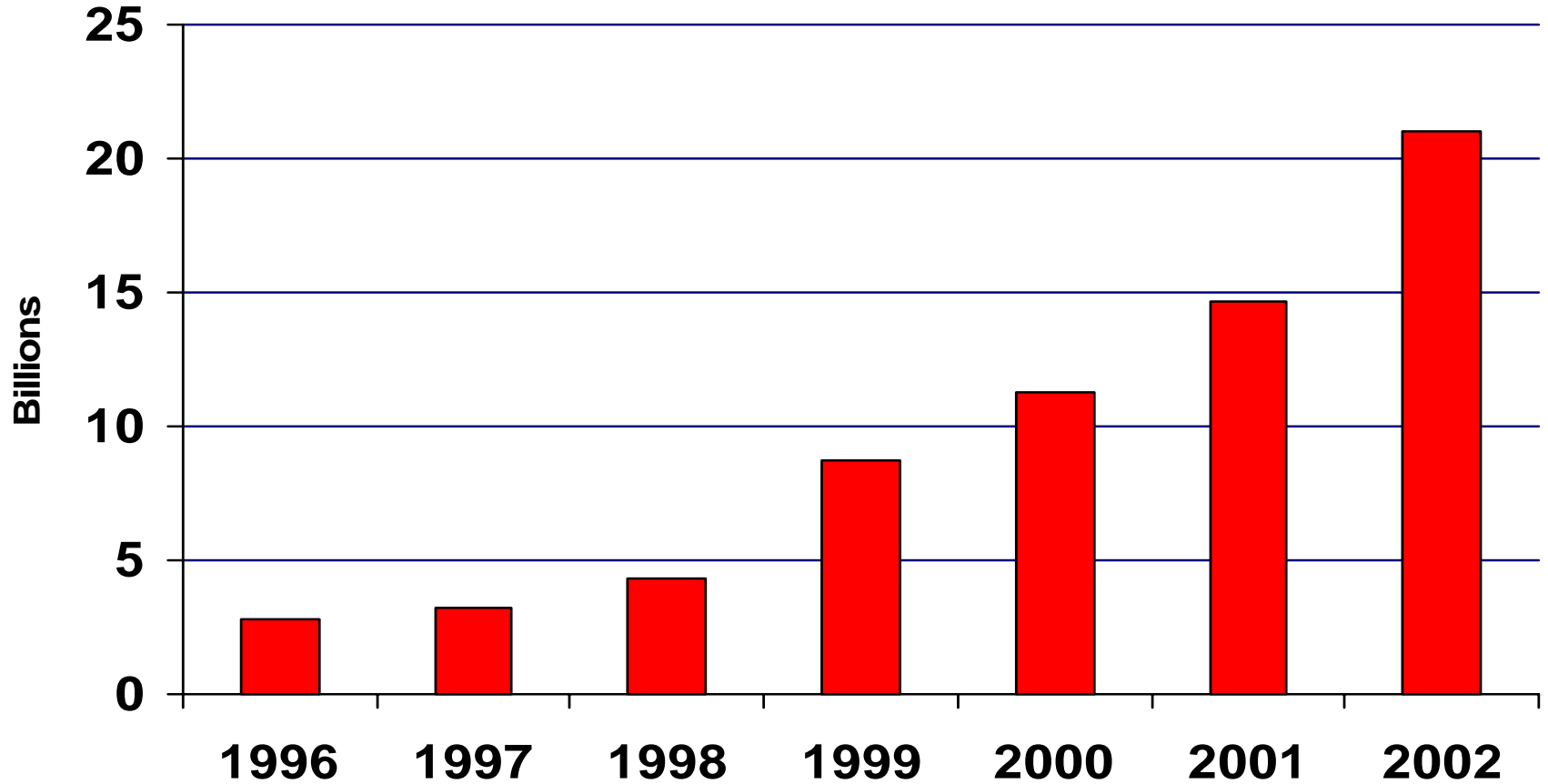
Source: USDA/ERS

# Market Share of Imported Tobacco



Source: USDA/ERS

# U.S. Cigarette Imports

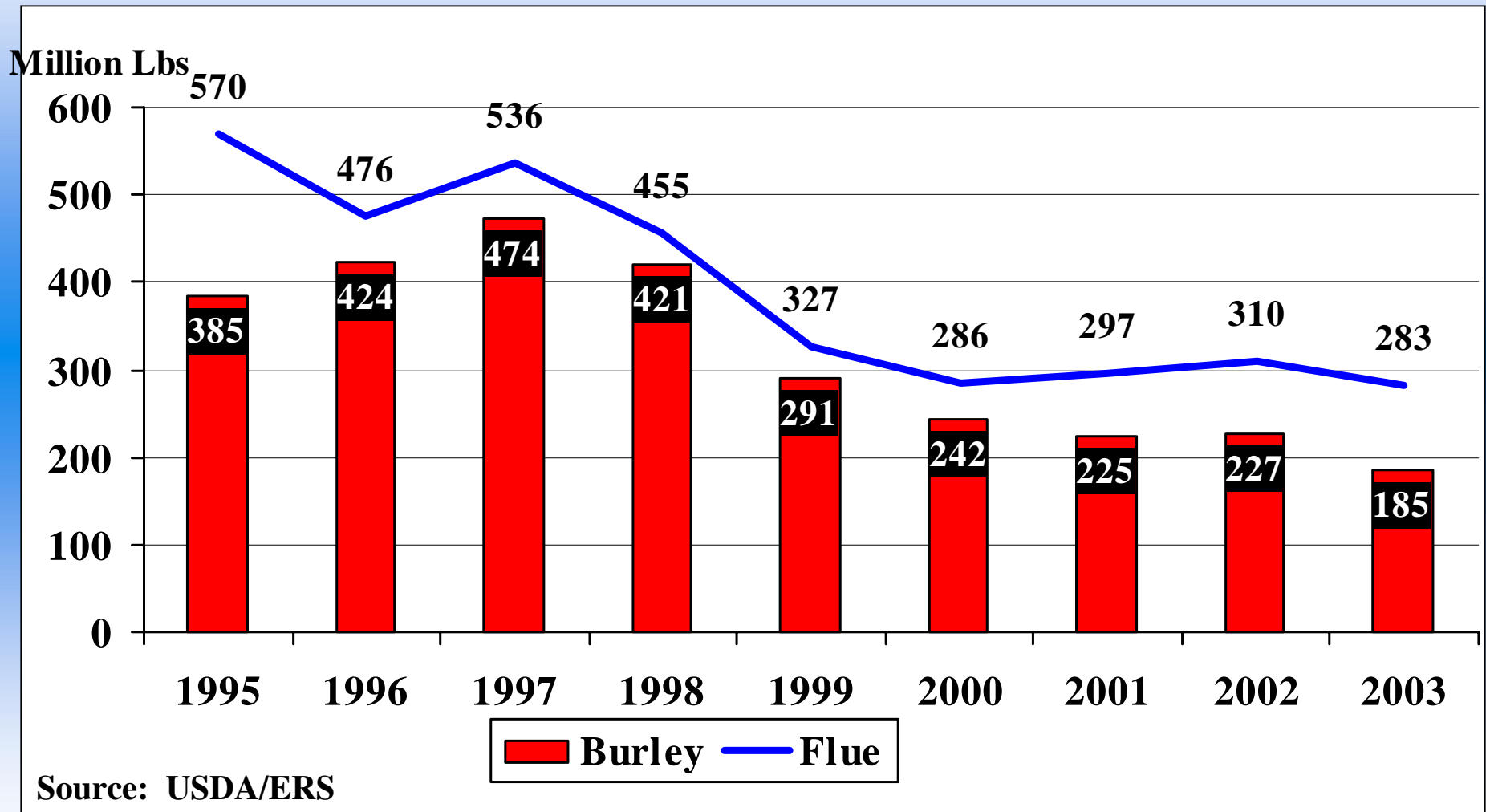


Source: USDA/FAS

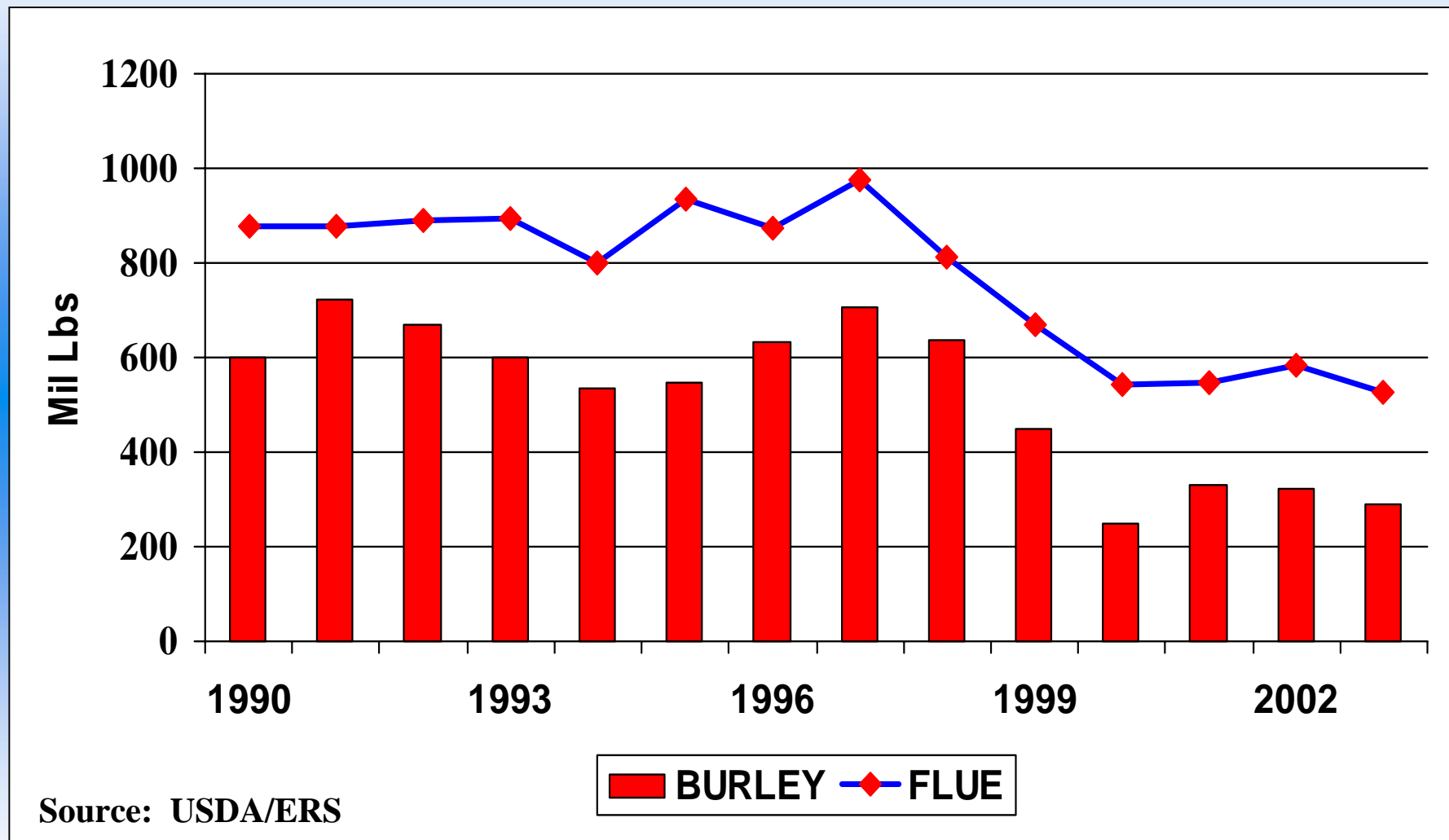


# U.S. Manufacturer

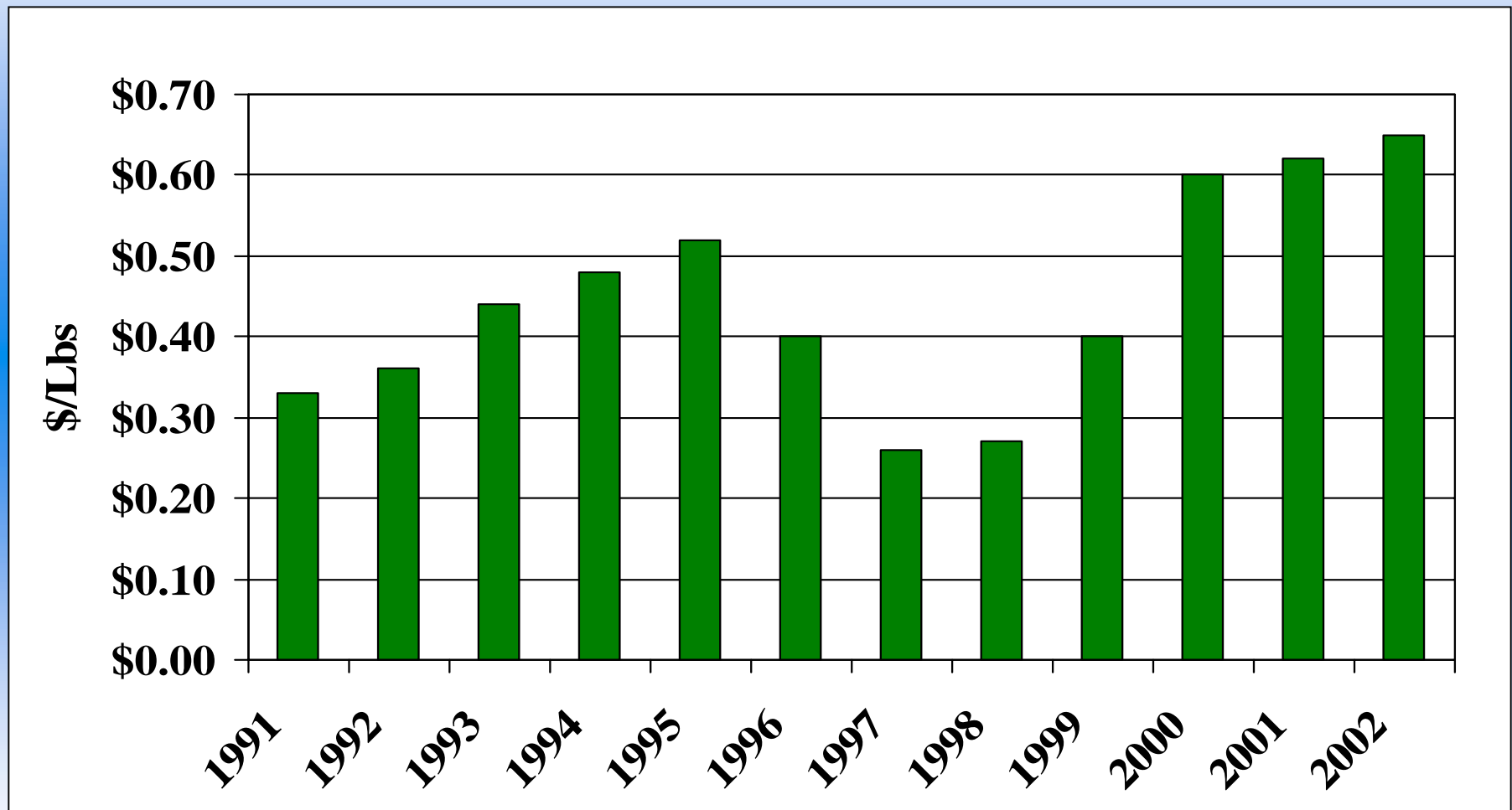
## Purchase Intentions: Flue vs Burley



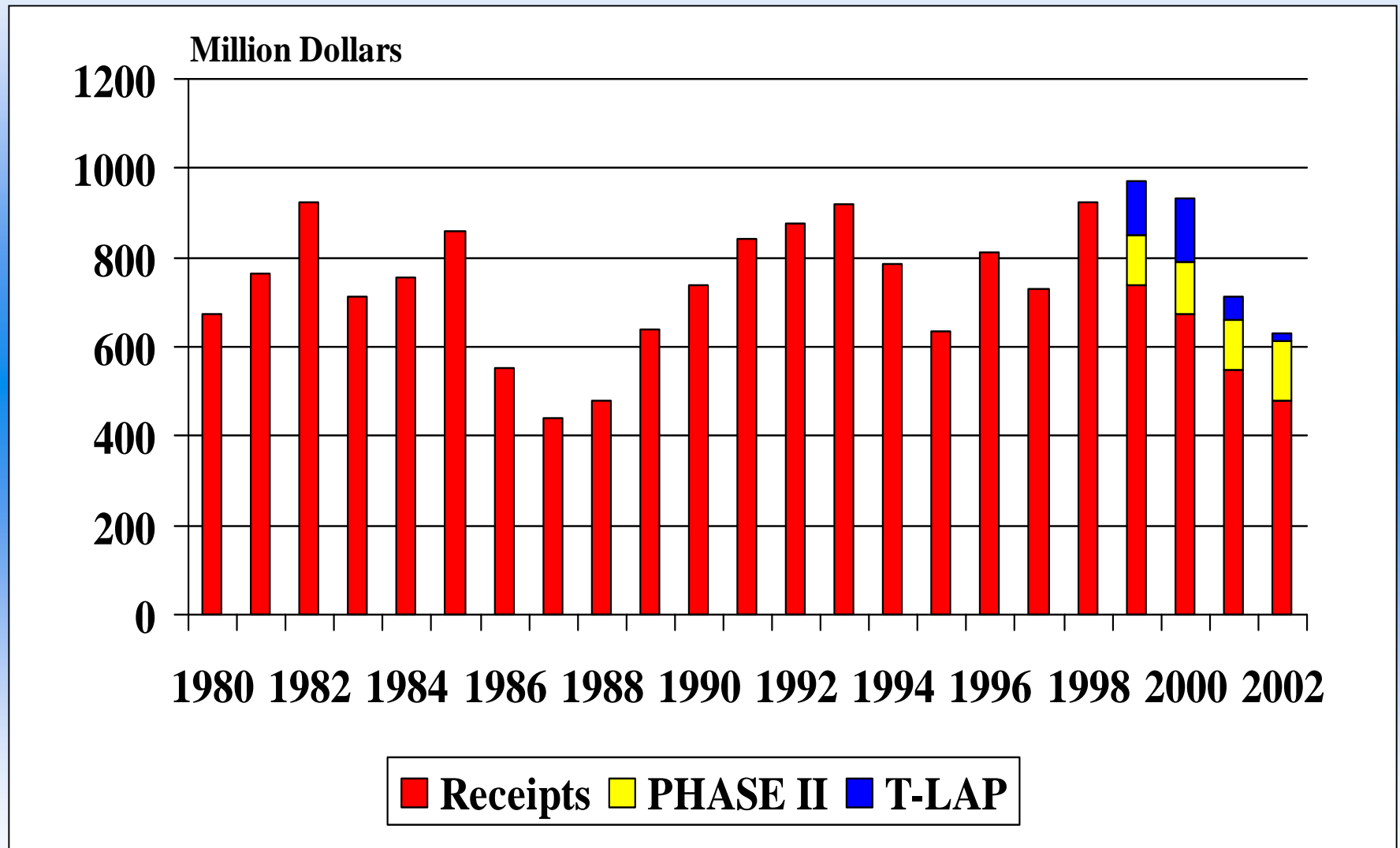
# U.S. Burley and Flue-Cured Marketing Quotas



# Average Kentucky Burley Quota Lease Prices



# Kentucky Tobacco Cash Receipts/Mailbox \$



# Distribution of KY Tobacco Income



**\$500,000,000**

**160,000 Individuals**



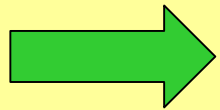
**\$3,125/Person**



**Buyout/Policy Reform**

## Buyout Environment

- **> 50% Drop In Quotas**
- **Record Lease Prices**
- **Pessimistic Outlook**
- **Aging Farmers**



**Support for  
A Buyout**

## Buyout Issues

- **Structure**
  - Price/lb
  - Base years
- **Program**
  - Modified or Eliminated?
- **Funding**
  - Excise Taxes
  - User Fee
  - Other Assessments
- **FDA Regulation**

# **2002 U.S. Congress:**

## **9 Tobacco Quota Buyout Bills Introduced**

### **Senate**

- **Helms (NC)**
- **Hollings (SC)**
- **Miller (GA)**
- **Cleland (GA)**

### **House**

- **McIntyre (NC)**
- **Fletcher (KY)**
- **Goode (VA)**
- **Chambliss (GA)**
- **Hill (IN)**

# Similarities/Differences in Tobacco Quota Buyout Bills

## Similarities

- \$8/lb for Quota Owners
- \$4/lb for Growers
- Cost \$15-20 Billion
- 5 Year Period

## Differences

- Base Year
- Post-Buyout Program?
- Funding
- FDA Regulation



# Political Challenges

- **Unity among tobacco farmers, companies and health groups**
  - **Structure of the buyout**
  - **Post-buyout policy**
  - **Funding mechanism**
  - **FDA**

# Political Challenges

- **Unity among tobacco farmers, companies and health groups**
- **Congressional challenges**
  - **Maintaining compensation levels of \$8/\$4**
  - **Achieving both a buyout and a program**
  - **Agreeable FDA regulation**
  - **Other more pressing issues such as homeland security, war on terrorism, prescription drugs, budget deficit, weak economy**

# Opportunities for a Buyout

- **Farm groups committed to a consensus**
- **Peanut quota buyout sets a precedence**
- **Support from health groups/tobacco companies**
- **Non-taxpayer funds used to finance most bills**
- **Current political leadership in U.S. Congress**

# **Political Leadership in the U.S. Congress Relevant to a Tobacco Buyout**

- **Senate Majority Leader – Frist (R-TN)**
- **Senate Majority Whip – McConnell (R-KY)**
- **House Ag Committee Chair – Goodlate (R-VA)**
- **House Ag Specialty Crops Subcommittee Chair – Jenkins (R-TN)**
- **Senate Ag Subcommittee on Production and Price Competitiveness Chair – Dole (R-NC)**
- **Edwards (D-NC), candidate for Democratic nomination for U.S. President**

# So What Happens Next?

- Tobacco state lawmakers in U.S. Congress meeting to assess buyout parameters and political environment
- Farm groups will have to assess the quota owner/grower support of various compromises and potential future political risk that will likely evolve as the process unfolds

# Post-Tobacco Buyout Environment

- Structure of most current buyout bills would inject over 1 billion dollars into KY and NC ag economies annually for the next 5 years
- Concentration of farms/tobacco dollars
- More competitive prices/demand expansion ???
- Will we maintain a safety net, production control program???
- Marketing system adjustments will continue
- More regulation
- Introduction of reduced risk tobacco products which may call for specialized tobacco production characteristics



http://www.uky.edu/Agriculture/TobaccoEcon

# Tobacco Economics Online

- [Situation and Outlook](#)
- [Policy](#)
- [Tobacco Settlement](#)
- [Contracting](#)
- [Government Reports](#)
- [Management](#)
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